

BODEN & COMPANY

Review Report

QUALITY CONTROL REVIEW

For the Firm's Audit of
Galt Joint Union Elementary School District
for the Fiscal Year Ended June 30, 2002



STEVE WESTLY
California State Controller

May 2004



STEVE WESTLY
California State Controller

May 28, 2004

Mr. Jack Boden
Boden & Company
425 University Avenue, Suite 221
Sacramento, CA 95825

Dear Mr. Boden:

The State Controller's Office has completed a quality control review of Boden & Company. We reviewed the audit working papers for the firm's audit of Galt Joint Union Elementary School District for the fiscal year ended June 30, 2002.

A draft report was issued on February 20, 2004. The firm's response to the draft report is included in this final report.

If you have any questions, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,

A handwritten signature in dark ink that reads "Vincent P. Brown". The signature is written in a cursive, flowing style.

VINCENT P. BROWN
Chief Operating Officer

VPB:ams/jj

cc: David P. Meaney, Ed. D., Superintendent
Sacramento County Office of Education
Dr. Jeffrey T. Jennings, Superintendent
Galt Joint Union Elementary School District
Arlene Matsuura, Educational Consultant
School Fiscal Services Division
California Department of Education
Charles Pillsbury
School Apportionment Specialist
Department of Finance

Contents

Review Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	2
Findings and Recommendations	3
Attachment —Firms’s Response to Draft Report	

Review Report

Summary

The State Controller's Office (SCO) has completed a quality control review of the audit working papers for the audit performed by Boden & Company of the Galt Joint Union Elementary School District for the fiscal year ended June 30, 2002. The last day of fieldwork was August 13, 2003.

The audit referred to above was performed in accordance with several of the standards and requirements set forth in Government Auditing Standards, issued by the Comptroller General of the United States, often referred to as generally accepted government auditing standards (GAGAS); U.S. generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO. However, the SCO reviewers noted noncompliance with:

- GAAS in regards to fieldwork standards for financial audits;
- GAGAS in regards to an internal quality control system;
- The K-12 Audit Guide with regards to class size reduction, instructional materials, kindergarten continuation, and reporting procedures; and
- Federal single audit requirements.

Background

Any governmental unit subject to a single audit must have the audit performed in accordance with the standards referred to in this report. According to OMB Circular A-133, the auditor's work is subject to a quality control review at the discretion of an agency granted cognizant or oversight status by the federal funding agency. In addition, *Education Code* Section 14504.2 authorizes the SCO to perform quality control reviews of working papers for audits of K-12 local educational agencies (LEAs) to determine whether audits are performed in accordance with U.S. General Accounting Office standards for financial and compliance audits.

Boden & Company is a certified public accountant with an office located in Sacramento, California. The firm has been the independent auditor for Galt Joint Union Elementary School District since FY 1999-2000 and was the only LEA audit performed by the firm in FY 2001-02. During FY 2001-02, the district operated four elementary schools and one middle school, with a total average daily attendance (ADA) of 3,887 for the purpose of state funding.

**Objectives,
Scope, and
Methodology**

The general objectives of the quality control review were to determine whether this audit was conducted in compliance with:

- GAGAS
- GAAS
- K-12 Audit Guide
- OMB Circular A-133

The quality control review was conducted at the office of Boden & Company. The SCO reviewers compared the audit work performed by the firm, as documented in the working papers, with the standards stated in the general objectives.

Conclusion

The audit referred to above was performed in accordance with the several of the standards and requirements set forth in GAGAS, GAAS, OMB Circular A-133, and the K-12 Audit Guide. However, the SCO reviewers noted the exceptions discussed in the Findings and Recommendations section of this report.

This report is applicable solely to the audit working papers referred to above and is not intended to pertain to any other work of Boden & Company.

**Views of
Responsible
Official**

The SCO issued a draft report on February 20, 2004. Mr. Boden responded by the attached letter dated March 29, 2004. The response is included in this final report as the Attachment.

Restricted Use

This report is intended solely for the information and use of the specified parties; it is not intended to be and should not be used for any other purpose. This restriction is not meant to limit distribution of the report, which is a matter of public record.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

Findings and Recommendations

General

The Single Audit Act and the *Standards and Procedures for Audits of K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO, require audits to be performed in accordance with U.S. generally accepted auditing standards (GAAS). These standards deal with the quality of the audits performed by the independent auditor and have been approved and adopted by the American Institute of Certified Public Accountants (AICPA). GAAS is divided into three areas: (1) general standards; (2) fieldwork standards; and (3) reporting standards. The three areas are divided into ten specific standards. In addition to GAAS, auditors of governmental entities must also perform audits in accordance with generally accepted government auditing standards (GAGAS), which expands the GAAS standards in several areas.

In the course of this quality control review, the SCO reviewers found that Boden & Company did not comply with several of the GAAS and GAGAS standards.

In addition, the firm did not adequately document testing of the state compliance requirements of the K-12 Audit Guide and the single audit requirements for federal programs.

Noncompliance With Fieldwork Standards for Financial Audits (GAAS, GAGAS)

FINDING 1— Inadequate audit planning, lack of audit programs, and inadequate consideration of computer processing

The firm's working papers lacked audit programs for the federal compliance testing of major programs. In planning audits, the firm should consider the nature, extent, and timing of the work to be performed and prepare a written audit program or set of written audit programs for every audit. The financial audit programs identified general procedures only and did not include the scope and objectives of the audit.

In addition, the auditor did not adequately consider the district's computer processing by a service organization. The auditor noted that the district accounting data is processed through the Sacramento County Office of Education. However, there was no other related information provided in the working papers.

AU Section 311.03 states:

Audit planning involves developing an overall strategy for the expected conduct and scope of the audit. The nature, extent, and timing of planning vary with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business.

AU Section 311.05 states:

The form of the audit program and the extent of its detail will vary with the circumstances. In developing the program, the auditor should be guided by the results of the planning considerations and procedures. As the audit progresses, changed conditions may make it necessary to modify planned audit procedures.

Additionally, GAGAS Section 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments.

GAGAS Section 4.37 states:

Working papers should contain the objectives, scope, and methodology, including any sampling criteria used. . . .

AU Section 319.02 states:

In all audits, the auditor should obtain an understanding of internal control sufficient to plan the audit by performing procedures to understand the design of controls relevant to an audit of financial statements and determining whether they have been placed in operation. In obtaining this understanding, the auditor considers how an entity's use of information technology (IT) and manual procedures may affect controls relevant to the audit. The auditor then assesses control risk for the assertions embodied in the account balance, transaction class, and disclosure components of the financial statements.

AU Section 324.02 defines a user organization as "the entity that has engaged a service organization and whose financial statements are being audited." Furthermore, this section defines a service organization as "the entity (or segment of an entity) that provides services to a user organization that are part of the user organization's information system."

AU Section 324.03 states:

A service organization's services are part of an entity's information system if they affect any of the following:

- The classes of transactions in the entity's operations that are significant to the entity's financial statements;
- The procedures, both automated and manual, by which the entity's transactions are initiated, recorded, processed, and reported from their occurrence to their inclusion in the financial statements;
- The related accounting records, whether electronic or manual, supporting information, and specific accounts in the entity's financial statements involved in initiating, recording, processing and reporting the entity's transactions;
- How the entity's information system captures other events and conditions that are significant to the financial statements; and
- The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures.

AU Section 324.06 states:

When a user organization uses a service organization, transactions that affect the user organization's financial statements are subjected to controls that are, at least in part, physically and operationally separate from the user organization. The significance of the controls of the service organization to those of the user organization depends on the nature of the services provided by the service organization, primarily the nature and materiality of the transactions it processes for the user organization and the degree of interaction between its activities and those of the user organization.

AU Section 324.07 states:

Section 319 Consideration of Internal Control in a Financial Statement Audit, states that an auditor should obtain an understanding of each of the five components of the entity's internal control sufficient to plan the audit. This understanding may encompass controls placed in operation by the entity and by service organizations whose services are part of the entity's information system. In planning the audit, such knowledge should be used to—

- Identify types of potential misstatements.
- Consider factors that affect the risk of material misstatement.
- Design tests of controls, when applicable. . . .
- Design substantive tests.

AU Section 324.11 states:

The user auditor uses his or her understanding of the internal control to assess control risk for the assertions embodied in the account balances and classes of transactions, including those that are affected by the activities of a service organization. In doing so, the user auditor may identify certain user organization controls that, if effective, would permit the user auditor to assess control risk below the maximum for particular assertions.

Inadequate planning, which includes preparing or revising audit programs, affects the nature, extent, and timing of work to be performed and may make the audit less effective. Procedures that should be performed may be overlooked and audit risks may increase as a result.

Recommendation

To comply with the standards of fieldwork, the firm should devote sufficient time to preparing adequate audit programs and documenting how the district's computer processing affects the audit of the financial statements. Audit planning steps should include the development of audit programs with the related objectives and scope. Through care in planning the nature, extent, and timing of work to be performed, the audit may be more effective and audit risks decreased as a result.

**FINDING 2—
Sampling deficiencies**

The firm did not justify the rationale for the size of the sample selected in the substantive tests of details and the testing of major federal programs. The working papers do not identify how the sample sizes selected were related to universe or population size, the account balance, class of transaction, and other relevant audit evidence. For each of the areas audited, the working papers do not justify that the amount of testing is sufficient and in proportion to the universe size.

AU Section 350.16 states:

When planning a particular sample for a substantive test of details, the auditor should consider . . . characteristics of the population, that is, the items comprising the account balance or class of transactions of interest.

SAS Nos. 39, 43, and 45 as presented in the AICPA's *Codification of Statements on Auditing Standards*, AU Section 350.23, states:

To determine the number of items to be selected in a sample for a particular substantive test of details, the auditor should consider the tolerable misstatement, the allowable risk of incorrect acceptance, and the characteristics of the population. An auditor applies professional judgment to relate these factors in determining the appropriate sample size.

AU Section 350.24 states:

Sample items should be selected in such a way that the sample can be expected to be representative of the population.

AU Section 350.29 states:

The auditor should relate the evaluation of the sample to other relevant audit evidence when forming a conclusion about the related account balance or class of transaction.

Consequently, sample sizes may not be adequate or reflective of the related account balance or class of transaction.

Recommendation

In selecting a sample, the auditor should use a method that considers the population characteristics such as size, account balance, transaction class, and other variables such as tolerable misstatement, allowable risk of incorrect acceptance, and control risk assessment. The auditor should be able to justify and document in the working papers that the sample selected is representative of the population.

**FINDING 3—
Inventory not observed/
child development fund
revenue not validated**

The firm did not observe the year-end physical stores inventory that was conducted by the district. In addition, the firm stated that there was no grant documentation available; therefore, no procedures were performed to validate that the minimum grant requirements were met for the child development fund. The working paper documentation does not support the basis for excluding these procedures.

The audit opinion may be incorrect as adequate procedures for the stores inventory balance and the child development fund have been excluded and these items are considered direct and material to the financial statements. As the stores inventory and child development fund are material to the financial statements and the firm excluded adequate auditing procedures, the audit report should have been qualified for these scope limitations. Instead, the firm issued an audit report with an unqualified opinion.

AU Section 331.01 states:

Observation of inventories is a generally accepted auditing procedure. The independent auditor who issues an opinion when he has not employed them must bear in mind that he has the burden of justifying the opinion expressed.

AU Section 331.12 states:

When the independent auditor has not satisfied himself as to inventories in the possession of the client through the procedures described in paragraphs .09-.11, tests of the accounting records alone will not be sufficient for him to become satisfied as to quantities; it will always be necessary for the auditor to make, or observe, some physical counts of the inventory and apply appropriate tests of intervening transactions. This should be coupled with inspection of the records of any client's counts and procedures relating to the physical inventory on which the balance-sheet inventory is based.

AU Section 508.22 states:

The auditor can determine that he is able to express an unqualified opinion only if his audit has been conducted in accordance with generally accepted auditing standards and if he has therefore been able to apply all the procedures he considers necessary in the circumstances.

AU Section 508.24 states:

Common restrictions on the scope of the audit include those applying to the observation of physical inventories. . . . Restrictions on the application of these or other audit procedures to important elements of the financial statements require the auditor to decide whether he or she has examined sufficient competent evidential matter to permit him or her to express an unqualified opinion. . . .

AU Section 326.25 states:

To the extent the auditor remains in substantial doubt about any assertion of material significance, he or she must refrain from forming an opinion until he or she has obtained sufficient competent evidential matter to remove such substantial doubt, or the auditor must express a qualified opinion or a disclaimer of opinion. . . .

The accuracy of the firm's opinion on the financial statements may be impaired when evidential matter gathered is not considered sufficient and competent.

Recommendation

The firm should document the basis for the lack of any procedures applied in the scope of the audit. The working paper and audit report review process should be revised to provide better assurance that significant matters in the audit working papers and their effect on the opinion report are properly considered and included prior to report issuance.

When grant funding is provided and the grant document cannot be obtained internally, the firm should contact external sources to obtain the required documents. If the firm is unable to obtain the grant document from any source, the firm should consider qualifying the audit opinion.

FINDING 4— Audit procedures not documented

The firm did not adequately document the procedures performed for the following audit issues: (1) validation that deferred maintenance expenditures were consistent with the approved five-year deferred maintenance plan approved by the State Allocation Board; (2) validation that the capital projects' developer's fees meet the county/city ordinances; (3) review of the entity's policies over safeguarding and investment objectives; (4) reconciliation of the payroll pre-list to the general ledger; and (5) validation that the auditee complied with the payroll taxes and filing requirements.

AU Section 319.79 states that the auditor:

. . . uses this evidential matter as part of the reasonable basis for an opinion referred to in the third standard of field work, which follows:

Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

AU Section 326.13 regarding evidential matter states:

The evidential matter obtained should be sufficient for the auditor to form conclusions concerning the validity of the individual assertions embodied in the components of financial statements.

AU Section 326.16 states:

Accounting data alone cannot be considered sufficient support for financial statements; on the other hand, without adequate attention to the propriety and accuracy of the underlying accounting data, an opinion on financial statements would not be warranted.

GAGAS Section 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

GAGAS Section 4.37(b) states:

Working papers should contain documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records. . . .

The accuracy of the firm's opinion on the financial statements may be impaired when evidential matter gathered is not considered sufficient and competent.

Recommendation

The firm should comply with GAAS and GAGAS when performing audits. Fund requirements and financial audit procedures should be complete and clearly documented. Audit procedures should be of sufficient scope to ensure that the financial statements are accurately presented.

Noncompliance With Generally Accepted Government Auditing Standards (GAGAS)

FINDING 5— Quality control system not in place

The firm does not have an internal quality control system in place. The firm's working papers were not reviewed to ensure that key audit areas were sufficiently documented and accurate. For example, the district's actual instructional minutes identified in the firm's working papers do not agree to the audit report's schedule of instructional time. However, based on the information contained in the working papers, the district's instructional time appears sufficient to meet the requirements.

GAGAS 3.31 states:

The fourth general standard is: Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place. . . .

GAGAS 3.32 states:

The internal quality control system established by the audit organization should provide reasonable assurance that it (1) has adopted, and is following, applicable auditing standards and (2) has established, and is following, adequate audit policies and procedures. The nature and extent of an organization's internal quality control system depend on a number of factors, such as its size . . . the nature of its work, its organization structure, and appropriate cost-benefit considerations. Thus, the systems established by individual organizations will vary, as will the extent of their documentation.

Recommendation

There should be a working paper review process that ensures key audit areas are sufficiently documented. The firm should develop a checklist of audit requirements that would allow another employee to review the working papers and ensure that all significant requirements have been met.

Noncompliance With K-12 Audit Guide Requirements

FINDING 6— Insufficient documentation to support that audit procedures were performed

The firm's working papers do not adequately document that the firm performed all of the required procedures for two of the state compliance programs. The firm's working papers did not sufficiently identify the procedures performed for the Class Size Reduction and State Instructional Materials programs. For the Class Size Reduction program, the working papers did not identify how the firm performed procedures 1 through 4 of the K-12 Audit Guide, pages 96 and 97. For the State Instructional Materials program, the working papers do not identify that the firm compared the materials purchased to the materials adopted by the State Board of Education, and the firm validated that at least 70% of the allowance was used to purchase materials adopted by the State Board of Education, as required. In addition, the report on state compliance was not modified as required to reflect that the firm did not perform the procedures (see Finding 7).

The K-12 Audit Guide provides suggested audit procedures to be performed for each state program. The procedures are designed to determine that the applicable compliance requirements for each state program have been met.

GAGAS Section 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

GAGAS Section 4.37(b) states:

Working papers should contain documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records. . . .

As the suggested state compliance audit procedures were inadequately applied, the district may have been overpaid for the Class Size Reduction and State Instructional Materials programs.

Recommendation

The state compliance audit procedures should be performed with sufficient attention given toward complying with the K-12 Audit Guide. The procedures performed should be documented sufficiently to enable another auditor to review the work performed and supporting documentation, and determine how the auditor arrived at the conclusion. Sufficient resources should be allocated toward compliance areas to ensure that procedures are properly completed.

FINDING 7— District’s noncompliance not reported/procedures not performed were not reported

The firm did not perform adequate procedures to validate the district’s compliance with kindergarten continuation requirements. The firm failed to identify that the form used by the district was not consistent with the standard form adopted by the California Department of Education. The district’s form did not contain required language that identified the California law which specifies that the parent agrees to allow the continuation. There were 15 kindergarten continuation forms included in the audit working papers. All of the ADA associated with the kindergarten continuation students should have been disallowed for lack of compliance with the approved form.

The K-12 Audit Guide, page 70, requires that the auditor “Verify that the district has a signed preapproved agreement-to-continue form for the pupil. If any sample pupils’ attendance is not eligible for apportionment credit, prepare a schedule of non-apportionment eligible ADA for those pupils. . . . Please quantify by ADA, not by the number of students.”

Education Code Section 14503(a) states:

The audit guide prepared by the Controller shall be used in the performance of these audits. . . . Every audit report shall specifically and separately address each of the state program compliance requirements included in the audit guide, stating whether or not the district is in compliance with those requirements. For each state program compliance requirement included in the audit guide, every audit report shall further state that the suggested audit procedures included in the audit guide for that requirement were followed in making of the audit, if that is the case, or, if not, what other procedures were followed. If a local education agency is not in compliance with a requirement that is a condition of eligibility for the receipt of state funds, the audit report shall include a statement of the number of units of average daily attendance, if any, that were inappropriately reported for apportionment.

Education Code Section 46300(g) states:

In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education. . . .

As the suggested audit procedures for state compliance were inadequately applied, the district may have been overpaid by as much as \$66,650. This estimation was formulated by assuming 15 students were present for the entire year, which would generate 15 ADA (average daily attendance), which is then multiplied by the district's revenue limit per ADA of \$4,443.30 (figure obtained from the California Department of Education's web site).

Recommendation

The state compliance audit procedures should be performed with sufficient attention toward complying with the K-12 Audit Guide. Sufficient resources should be allocated toward compliance areas to ensure that relevant procedures are properly completed and any noncompliance is properly reported. The CPA should modify the report as required to disclose the actual procedures performed.

Noncompliance With Federal Single Audit Requirements

FINDING 8— Compliance requirement deficiencies

The working papers do not document that the firm performed procedures for all compliance matrix requirements applicable to the audit of three major federal programs: National School Breakfast/Lunch, Title I, and Special Education. The firm did not document in its working papers how each of the compliance matrix requirements were addressed or if a requirement was not applicable.

National School Breakfast/Lunch

The firm failed to document the procedures performed for three compliance requirements:

1. Equipment and Real Property Management
2. Procurement/Suspension/Debarment
3. Subrecipient Monitoring

Title I

The firm failed to document the procedures performed for six compliance requirements:

1. Equipment and Real Property Management
2. Matching, Level of Effort, Earmarking
3. Procurement/Suspension/Debarment

4. Reporting
5. Subrecipient Monitoring
6. Special Tests and Provisions

Special Education

The firm failed to document the procedures performed for five compliance requirements:

1. Equipment and Real Property Management
2. Matching, Level of Effort, Earmarking
3. Procurement/Suspension/Debarment
4. Subrecipient Monitoring
5. Special Tests and Provisions

In addition, the firm did not document the rationale for sample sizes for the matrix requirements that were documented in the working papers.

The Single Audit Act and OMB Circular A-133 require that, in addition to the requirements of GAGAS, the auditor shall determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs. The principal compliance requirements applicable to most federal programs and the compliance requirements of the largest federal programs are included in the compliance supplement. There are 14 types of compliance requirements and the related audit objectives that the auditor shall consider in every audit conducted under OMB Circular A-133, with the exception of program-specific audits performed in accordance with a federal agency's program-specific audit guide.

GAGAS Section 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

GAGAS Section 4.37(b) states:

Working papers should contain documentation of the work performed to support significant conclusions and judgements, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records. . . .

In its report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133, the firm states, "In our opinion, the District complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002." However, the firm actually did not perform adequate procedures to make this determination. The firm did not determine

whether the district complied with the applicable laws and regulations that may have a material effect on the financial statements and on each of its major programs. In addition, the firm did not determine whether the district's schedule of expenditures of federal awards is presented fairly in all material respects in relation to the district's financial statements taken as a whole.

Recommendation

The federal compliance audit procedures should be performed with sufficient attention toward complying with the OMB A-133 matrix of compliance requirements. The procedures performed should be documented sufficiently such that another auditor is able to review the work performed and supporting documentation and determine how the auditor arrived at the conclusion. Sufficient resources should be allocated toward compliance areas to ensure that procedures are properly completed.

**Attachment —
Firm's Response to Draft Report**

BODEN & COMPANY

An Accountancy Corporation

425 University Ave, Suite 221
Sacramento, CA 95825

Telephone (916) 646-1633
Facsimile (916) 646-1616
bodencpa.com

March 29, 2004

Casandra Moore-Hudnall
Chief, Financial Audits, Bureau
State Controller's Office,
Division of Audits
P O Box 942850
Sacramento, California 94250-5874

RE: Quality Control Review

Dear Ms Moore-Hudnall

This letter represents our response to the Quality Control Review report related to our audit of Galt Joint Union Elementary School District.

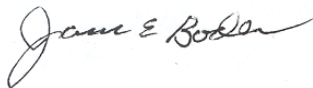
At a meeting held with the owners and staff of Boden & Company, a review of the Quality Control Review report was discussed. We believe that we did comply in most instances with the required audit standards. We acknowledge there were some omissions in properly documenting all the audit requirements.

We will document our audit and review procedures including a review by a non-engagement partner in future engagements.

We believe these actions are responsive to the findings of the quality control review.

Very truly yours.

BODEN & COMPANY
An Accountancy Corporation



Jack E. Boden, CPA

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>